



**University
of Southampton**

MARKETING FOR THE FUTURE

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Agenda

- “A review of the role of DIFFERENTIATION in a robust marketing strategy and how a unique market position can be used to protect the business from global competition”



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**But
First..**



The Business Purpose (Why are we in business?)

“The purpose of a business is to
create and keep a customer”

Customers

Levitt



What is Marketing?

“Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.”

Preference

The Chartered Institute of Marketing



What is Market Strategy?

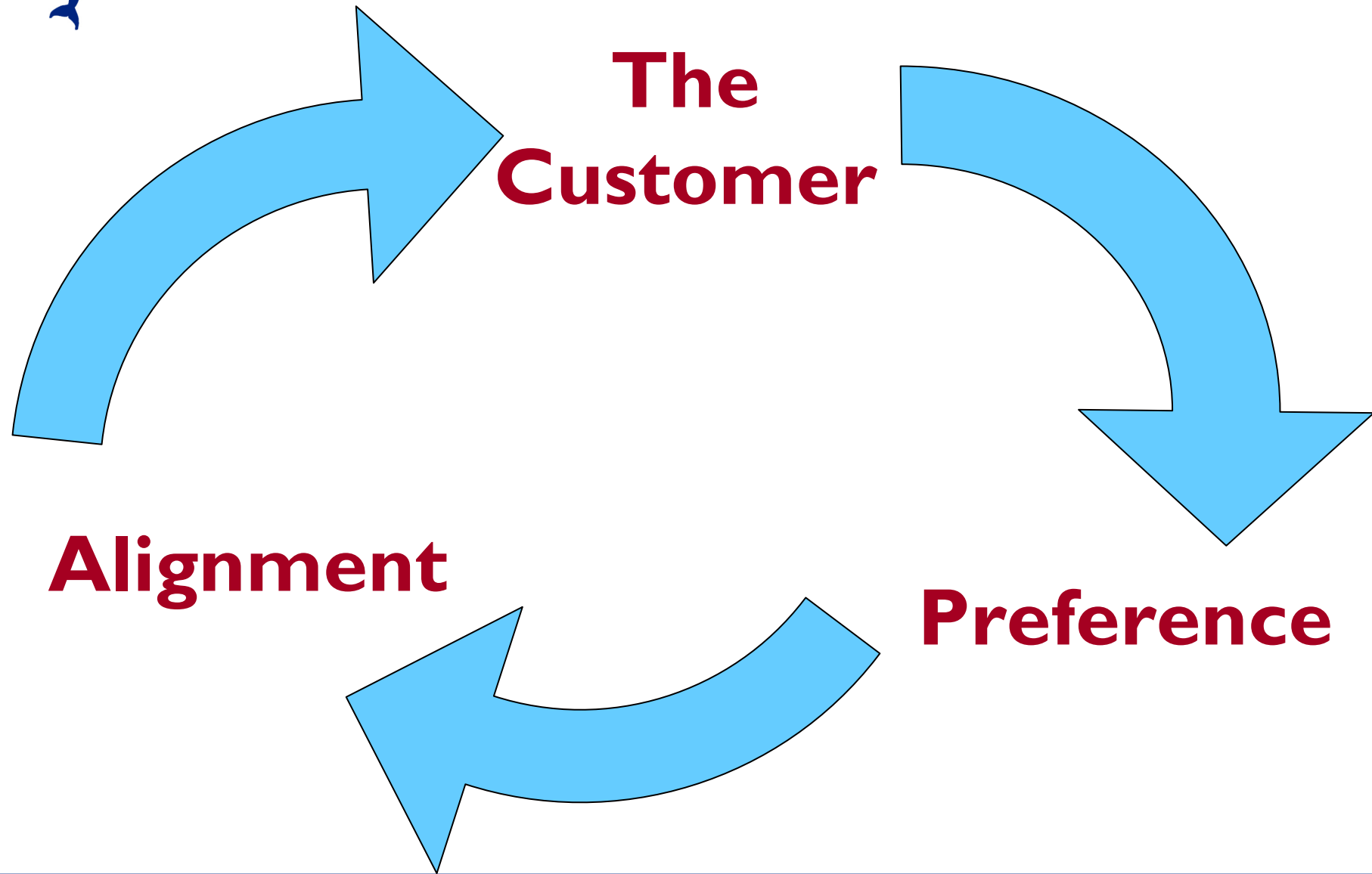
Market Strategy is the process by which the organisation **aligns** itself with the market(s) it wishes to serve

Alignment

Paul Fifield



So, Market Strategy =





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**And, the
difficult
question..**



What do Customers Want?

Years of research has shown that (B2C and B2B) customers want:

1. To “hire” products and services to get a job done (“A product is what a product does” – Levitt)
2. Products and services that fit their lives (relevance)
3. Choice (different) but:
 1. Not too much choice
 2. ‘Real’ choice not meaningless product/service features
 3. An ‘obvious’ ‘Right Choice’ for them

**Different —
Their way**



Differentiation is the basis of good marketing

- Porter's second generic strategy, **differentiation**, helps to achieve **competitive advantage** when ***“a company seeks to be unique in its industry along some dimensions that are widely valued by buyers”*** (Porter 1985).

- ***“If the three keys for selling real estate are location, location, location then the three keys of selling consumer products are differentiation, differentiation, differentiation.”*** Robert Goizueta – former chairman, Coca Cola company



But, is it worth it?..

Research of 6,000 companies worldwide (PA Consulting Group 2003)
found:

1. 97% of CEOs believe their priority is to create long-term value for shareholders.
2. There are two ways that value can be created within companies
 1. Operating at a cost advantage compared to others
 2. Create a superior **differentiation** that supports a price premium over others

3. The research found that:

On average **the latter is THREE TIMES more influential than the former** in creating value.



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**But
“we” can’t
do that...**



Why do managers want to be lemmings?

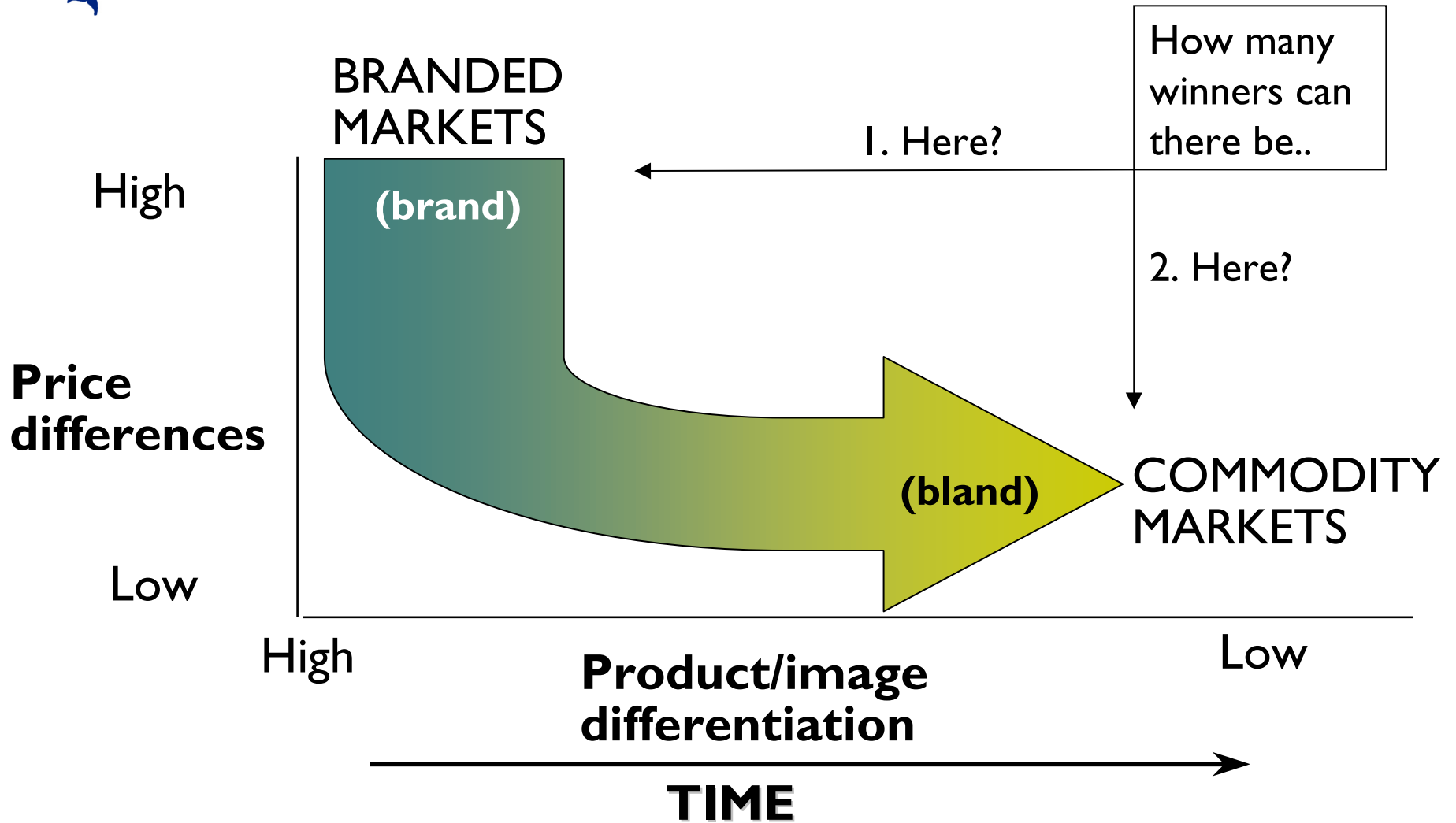
1. In the (benchmarked) quest for 1) *productivity*, 2) *quality* and 3) *speed*, companies imitate one another in a type of **herd behaviour**
2. Driven by desire to 'grow' (sales and volume), this creates unnecessary **'hyper-competition'**
3. Operational Effectiveness is necessary, but it is not sufficient to **win** and it is not strategy

[Source: Porter 1996]

4. Competitive strategy is about being DIFFERENT and either:
 - (i) Performing *different activities* from rivals
 - (ii) Performing similar activities in *different ways*



The commodity slide





Olympic Differentiation?

1. Ski Freestyle
2. Ski Cross Country
3. Ski Combined
4. Ski Nordic Combined
5. Ski Alpine
6. Ski Jumping
7. Biathlon
8. Ice Hockey
9. Figure Skating
10. Speed Skating
11. Short Track
12. Snowboard Freestyle
13. Snowboard Alpine
14. Luge
15. Curling
16. Bobsleigh
17. Skeleton

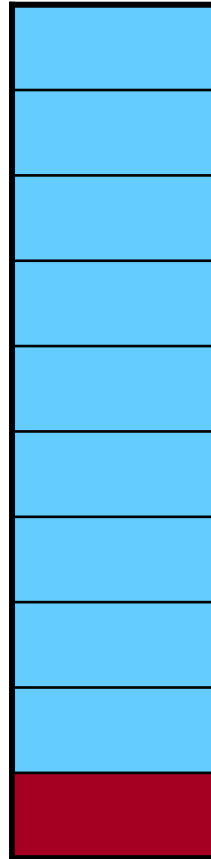
= Sliding!



And a word about Price!

In any developed market, 90% of customers would prefer to buy on non-price reasons and pay some level of premium price for perceived additional value

10% will always buy the cheapest – because they don't care about the category



In an undeveloped market, a proportion of customers will still prefer to pay premium price for some additional value

A proportion appear to want the cheapest but have latent needs that have not yet been identified and exploited

Still, 10% will always buy the cheapest





Its never too late to Decommoditise

1. B2C tend to view themselves as **differentiated** producers:
 1. They regularly decommoditise 'standard' products to capture customer value
2. B2B tend to view themselves as **commodity** producers:
 1. Value operations and sales over marketing
 2. Strive to produce more, more cheaply to sell at the market price
 3. Often overlook the nonfunctional features of their products
 4. Employ sales forces that are **not** representative of the customers they serve and believe that price is the most important variable
3. Research (conjoint analysis) must drive a "needs analysis" of customers to uncover value-based segments

“For all practical reasons, the B2B market has NO commodities”

Forsyth, Gupta, Haldar and Marn, (*“Shedding the commodity mindset”*, McKinsey Quarterly, 2000/4)



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**How to be
different?**



Analysing Differentiation

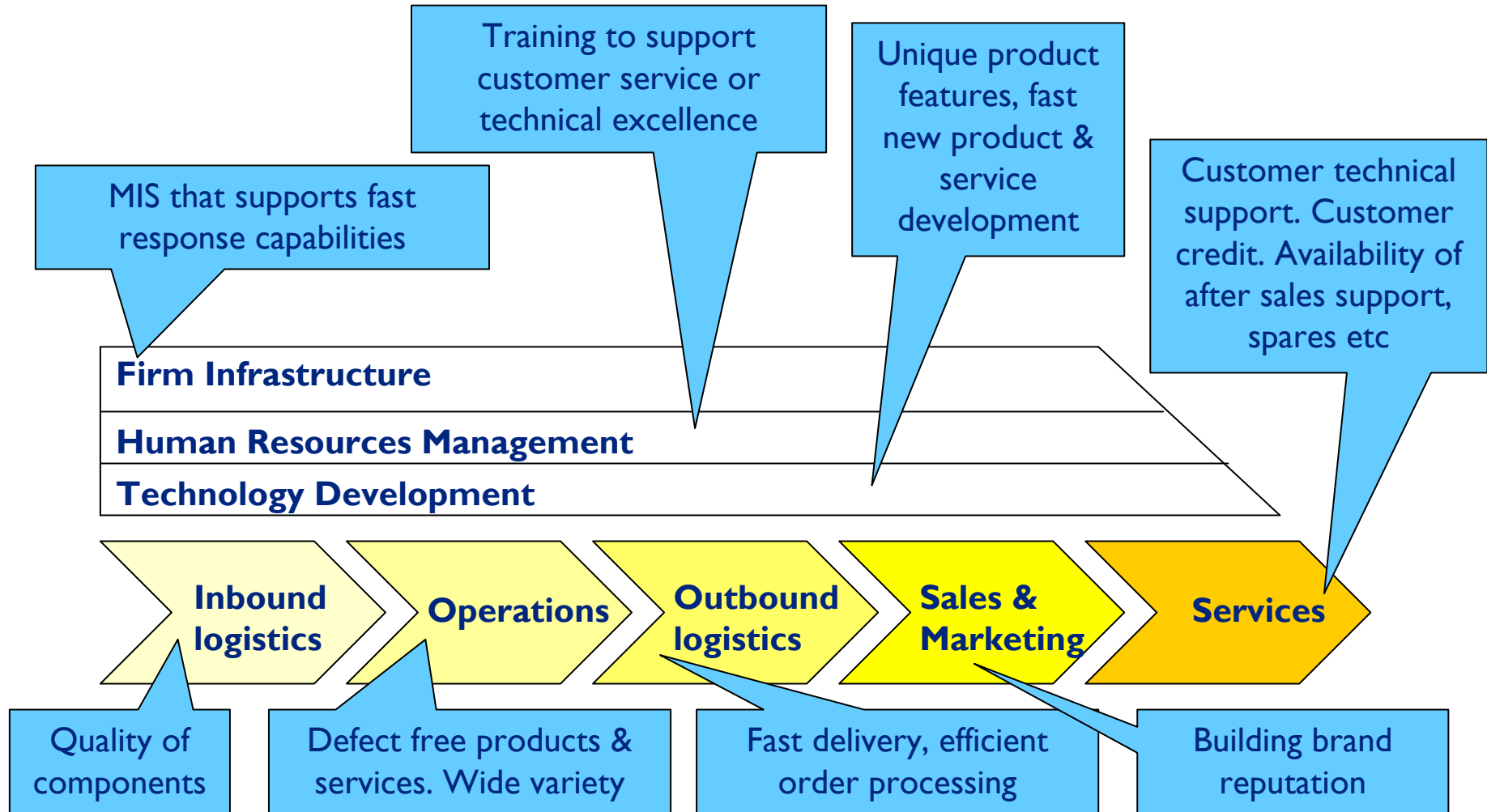
(Source: Grant)

Successful differentiation is about matching customers' demand for difference with the organisation's capacity to supply differentiation:

Demand side	Supply side
<ul style="list-style-type: none">• Reason for purchase• Motivation for purchase• Choice criteria used• Perception of available offerings• Preferences• Perceptions of different product/service attributes• Price/Value perceptions	<ul style="list-style-type: none">• Product features• Product performance• Complementary services (credit, delivery etc)• Intensity of marketing activities (ad spend etc)• Technology embedded in design & manufacture• Quality of purchased inputs• Processes influencing conduct of each activity (quality control, service procedures etc)• Skill & experience of employees• Location (with retail & service outlets etc)• Degree of vertical integration (& process control)



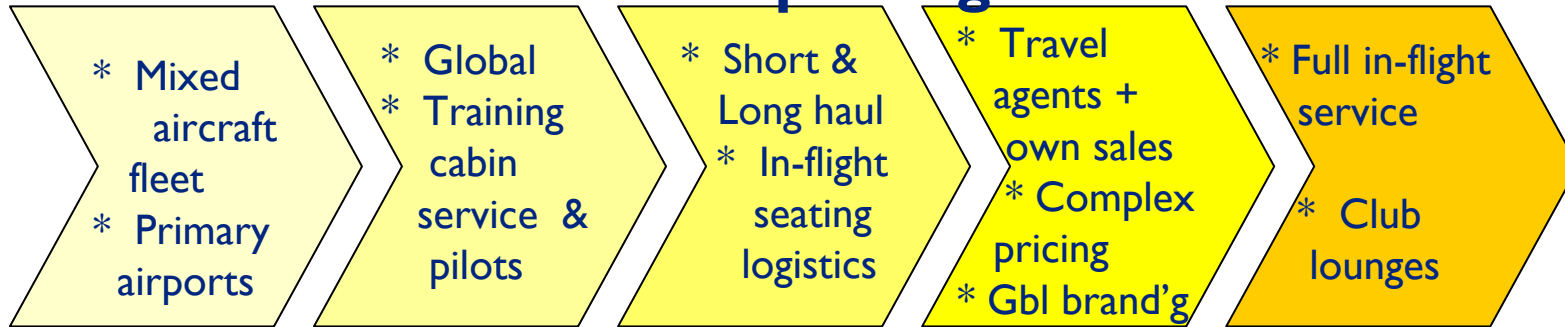
Differentiation & the Value Chain (Grant)



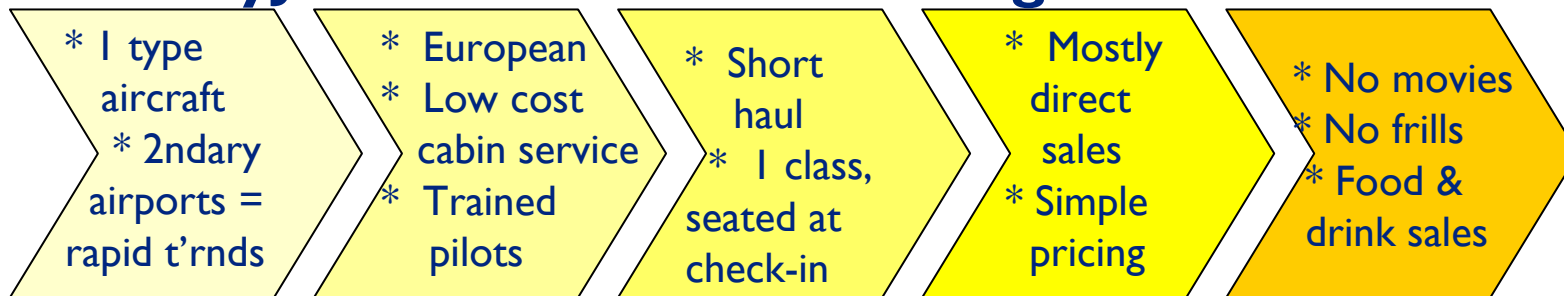


Two Differentiated Value Chains:

BA and Multiple Segments

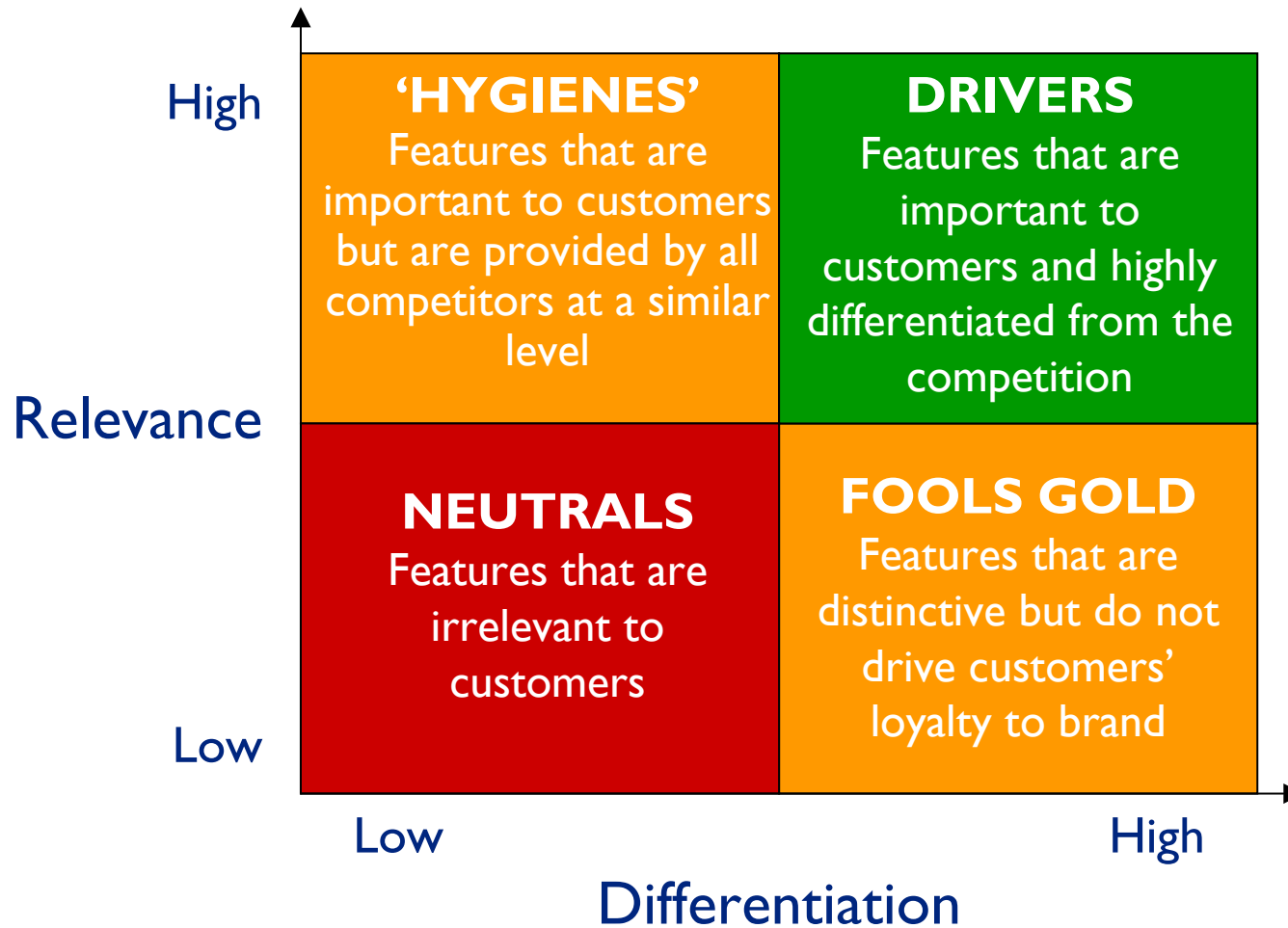


EasyJet and the Low Cost Segment





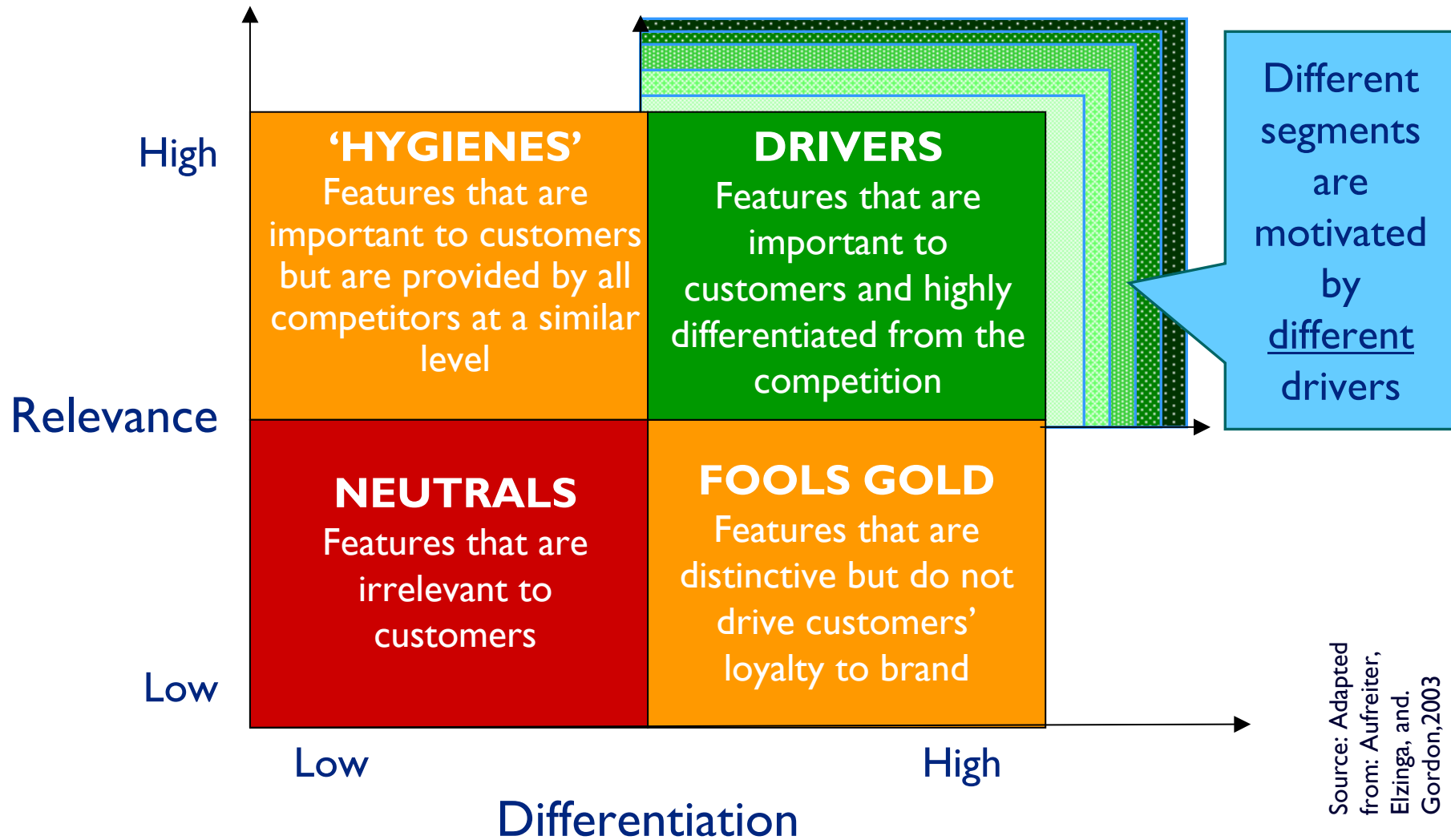
Differentiate to your market's needs



Source: Aufreiter, Elzinga, and. Gordon, 2003

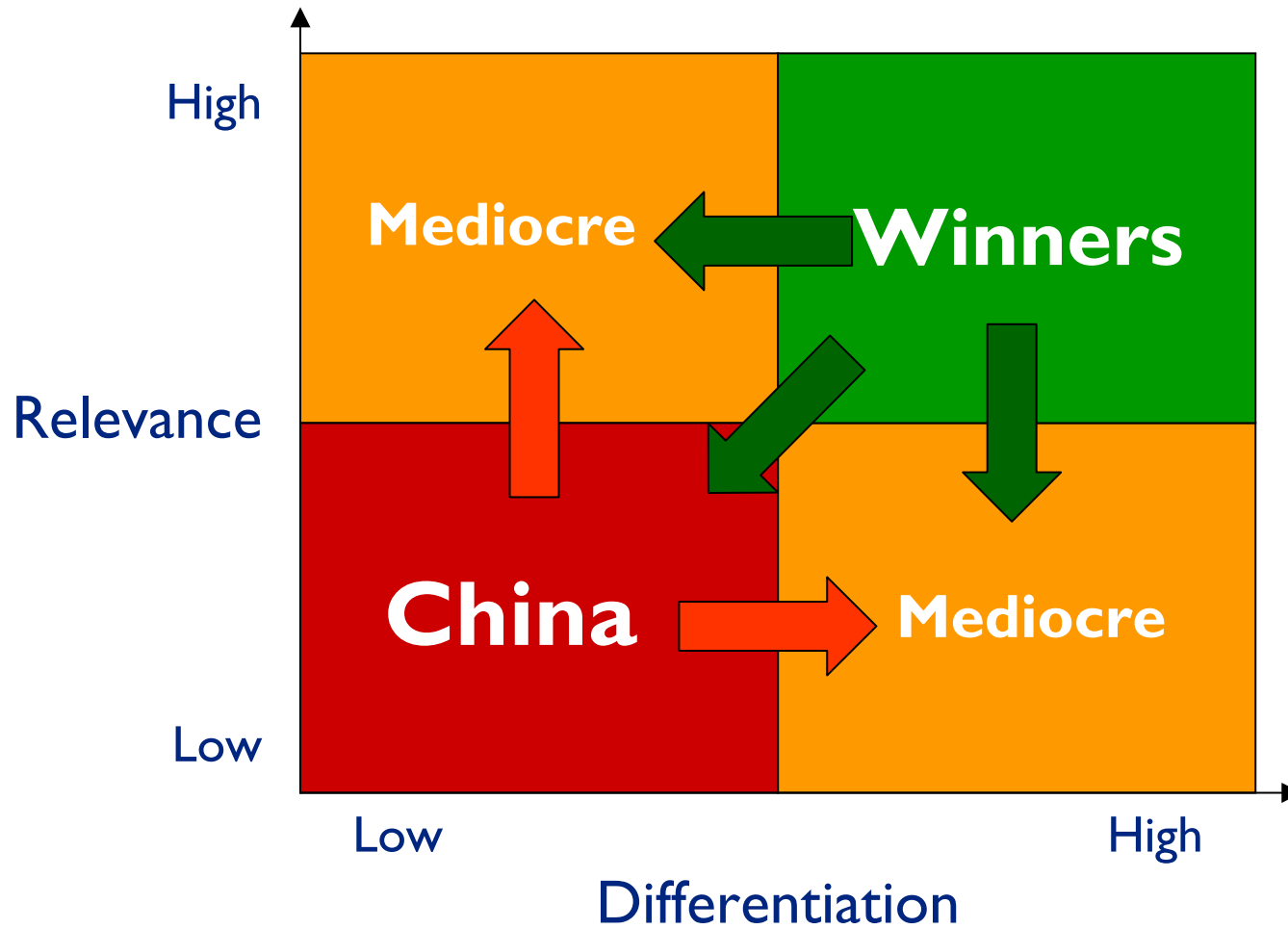


Differentiate to the target segment's needs





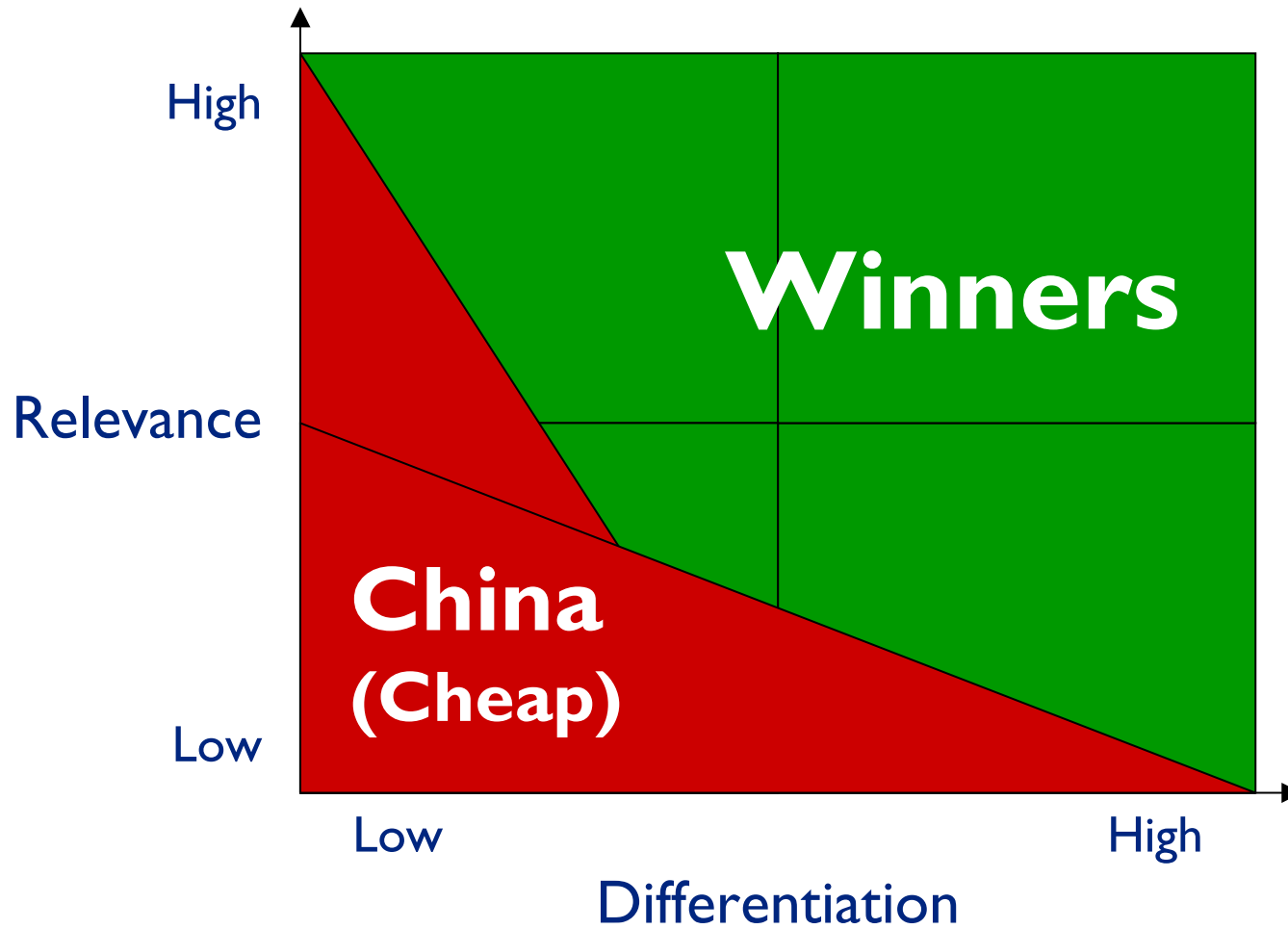
Or, be 'Differentiated' out of business



Source: Adapted from: Aufreiter, Elzinga, and Gordon, 2003



And in the long run ...



Source: Adapted from: Aufreiter, Elzinga, and Gordon, 2003



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**Which
differences
are best?**



Some “winning” positions

Best quality	<i>Rolls Royce?</i>
Best service	<i>Mercedes?</i>
Lowest price	<i>Skoda?</i>
Best value	<i>Volkswagen?</i>
Safest	<i>Volvo?</i>
Fastest	<i>Porsche?</i>
Most customised	<i>Morgan?</i>
Most convenient	<i>Ford?</i>
Most advanced technology	<i>Audi?</i>

Attribute (eg <u>size</u> , speed, colour, age, complexity)	<i>Microsoft?</i>
Benefit (eg easiest, <u>fastest</u> , strongest)	<i>Porsche?</i>
Use/application (eg for holidays, for <u>celebrations</u>)	<i>Bollinger?</i>
User (eg for <u>young/old</u> , for experts, commuters)	<i>iPod? Saga?</i>
Competitor (eg <u>better</u> than ‘x’, cheaper than y)	<i>Nokia?</i>
Product category (eg <i>yoga</i> holiday, <u>computer game</u>)	<i>PS2?</i>
Quality/price (eg best, most expensive, <u>cheapest</u>)	<i>Easyjet?</i>



Which differences are best?

1	Where does the your customer/prospect perceive the most value?	Always work with the customers. Aim to target the greatest store of perceived customer value
2	Where is most of your competition concentrated?	Look for gaps in the marketplace and exploit them. Only attack competitors' positions if there is no alternative
3	Where is your offer most and/or least credible (to customers)?	Relate to (customer) perceived strengths & weaknesses. Aim for credible areas first
4	Where is the differentiation easiest for your company to protect/maintain?	Profit is key and differentiation can be expensive. Balance cost (ease) against value and defensibility

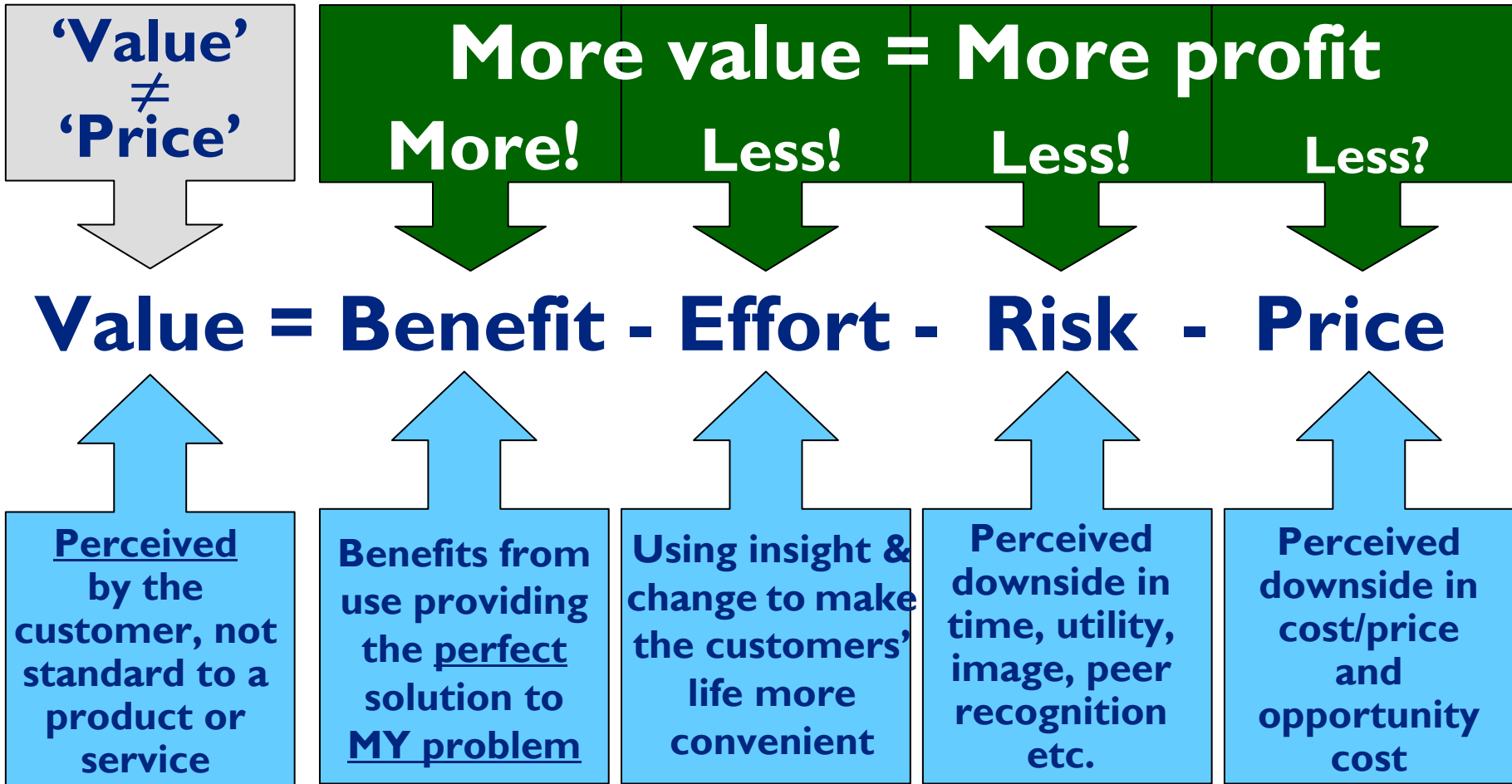


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**Its all about
Customer
Value..**



Its all about CUSTOMER VALUE



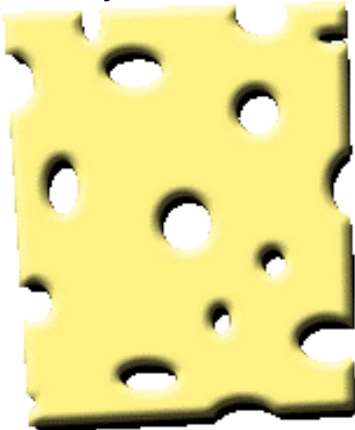
Adapted from Osterwalder & Pigneur, 2003



Summary – ‘Where is the cheese?’



2. Identify Customer Value

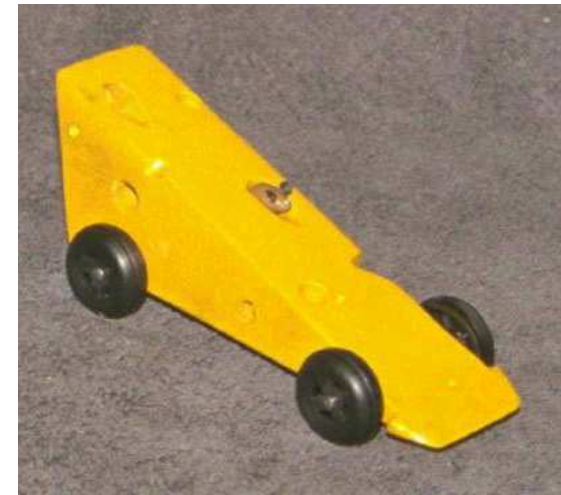


4. Extract the value properly

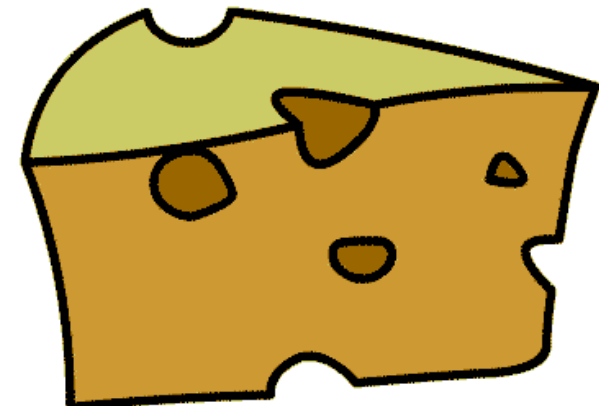
“I Prefer”



1. Understand Customer Needs



5. Predict the value migration



3. Choose the right value to extract



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